



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Audit Services Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	April 25, 2016
<b>SUBJECT/REPORT NO:</b>	2016-2018 Audit Services Work Plan (City Wide) (AUD16005)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Brigitte Minard CPA, CA, CIA, CGAP 905-546-2424 x2088
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) 905-546-2424 x4469 Director, Audit Services
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Appendix "A" attached to Report AUD16005 respecting the 2016-2018 Audit Services Work Plan, be approved.

**EXECUTIVE SUMMARY**

The Audit Services Division develops a work plan which outlines the scope of work the Division intends to conduct during a defined time period. Previously an annual work plan was submitted, this is a three year work plan for 2016-2018. The work plan is based on an updated risk assessment of all the services identified in the Service Delivery Review.

In addition, inquiries, input from Council members, consultation with senior management and staff, observations made by audit staff during other audits and reviews of audits conducted in other municipalities are also taken into consideration. Various risk factors and related criteria were considered to prioritize the various projects.

As noted in our 2016 budget presentation (as part of the City Manager's Office presentation), it is planned that the Audit Services Division will be broadening the portfolio of services offered and will include the following:

- Audits (including value-for-money auditing)
- Consulting
- Risk assessments
- Lessons Learned/Opportunities Assessment
- Developing and implementing a comprehensive fraud prevention and detection program

Please refer to the attached Appendix "A" for a description of each of the above services.

The 2016-2018 Audit Services Work Plan is a combination of projects in progress or carried forward from 2015 and new projects and other initiatives. It also includes the annual recurring commitment of formal follow up processes to ensure recommendations contained in previously issued audit reports have been implemented. The Work Plan is attached as Appendix "A" to this Report AUD16005.

Appendix "B" of Report AUD16005 provides a listing of other areas of high or moderately high risk or specific initiatives which are being deferred pending further research and resource availability.

The Audit, Finance and Administration Committee approves the proposed Audit Services Work Plan as part of its mandate.

***Alternatives for Consideration – Not Applicable***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

Financial: The recommendation in this Report has no financial impact beyond the amount provided in the Audit Services Division's 2016 budget request.

Staffing: The Work Plan has been developed based on the current approved complement, and considers that funding for the Value for Money Pilot Program is approved until June 2017 only.

Legal: None.

**HISTORICAL BACKGROUND (Chronology of events)**

According to the current Council approved Audit Charter, the Director of Audit Services is required to prepare an annual Work Plan for Council approval. The Plan describes projects and related work proposed for the year. It also provides City Council with an overview of how resources in the Audit Services Division will be used during 2016-2018.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

Departmental management and staff were asked to provide input for the work plan.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION  
(Include Performance Measurement/Benchmarking Data if applicable)**

Management is primarily responsible for designing, implementing, monitoring and reporting on controls. However, Council, through the Audit, Finance and Administration Committee, is ultimately responsible for ensuring management fulfils these responsibilities. Audit Services assists Council and management in meeting their governance, oversight and internal control responsibilities by carrying out projects and audits with the goal of enhancing internal controls and operational efficiency and effectiveness of City programs and services. The City's capacity to respond to recommendations arising from any audits and make improvements to its management practices is where the real benefit to the taxpayers will come.

Reporting project findings, audit results and management action plans to the Committee is an important step in the Committee's role for the effective oversight of the control environment and culture, and promotes accountability and transparency with City Council.

Follow up of audit recommendations is also important to ensure that management has taken appropriate action to implement recommendations identified in previous audit reports and improvements have been realized as a result. Auditing standards require an audit follow up process to determine the status of outstanding audit recommendations. A portion of the available time is set aside to conduct the initial follow up of audit reports issued within the last 12-18 months. This process provides management and Council with a snapshot of the progress of implementation.

Due to the nature of work that the Division performs, special projects and investigations can arise without much notice, so it is important for the work of the Audit Services Division to remain fairly flexible in order to provide the timeliest service to Council and management. At the same time, there should be a logically structured work plan to focus scarce resources on major areas of concern and risk, and to balance coverage across the types of services delivered. The Work Plan serves as a standard against which to measure the performance of Audit Services.

Should the special requests and investigations exceed the level estimated for the work plan, it will be necessary to defer the timelines of projects included in the work plan. Any deferrals will be reported to the Committee as part of the annual Work Plan submission. However, should scheduling and resources allow, projects from the "B" list (Appendix "B" to Report AUD16005) would be considered for possible completion in the 2016-18 work plan, or the timing of projects may be earlier than indicated in the plan.

The extent of completion of the projects will be dependent on the approval of Audit's budget as submitted, the number of requests by City Council and management, the level of special investigations and other issues which may emerge during the year.

Audit Services believes that the proposed work plan provides a balance of work that, once completed, will result in improving the overall operations of the City by proactively identifying and assessing risks, strengthening management controls, improving accountability and transparency and helping the Audit, Finance and Administration Committee with its governance and internal control oversight role.

## **ALTERNATIVES FOR CONSIDERATION**

**(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

The Committee can decide to add/delete/replace projects from the proposed work plan, taking into consideration resource limitations or preferred alternatives. Also, the current Audit Services Charter requires a majority of at least two-thirds the total members of Council present in order to make any changes to the proposed work plan. Any significant changes resulting in increased time commitments will require a reallocation of staff resources. In addition, changes which require the substitution of a planned audit project with a new project may not address areas of higher risk.

## **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

### **Strategic Objective**

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.
- 2.3 Enhance customer service satisfaction.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.2 Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.
- 3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report AUD16005

Appendix "B" to Report AUD16005

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